

Fifth Draft



Sol Plaatje Municipality

Draft Annual Report

2007/08

CHAPTER 1 – GENERAL & OVERVIEW	2
1.1 Executive Mayor’s Foreword	2
1.2 The Accounting Officer’s Report	4
1.3 General Overview of Sol Plaatje Municipality	6
1.4 Executive Summary	10
 CHAPTER 2 - MUNICIPAL PERFORMANCE	 12
KPA 1: LOCAL ECONOMIC DEVELOPMENT	12
KPA 2: BASIC SERVICE DELIVERY	13
KPA 3 – MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	15
KPA 4 – MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	15
KPA 5 – GOOD GOVERNANCE AND PUBLIC PARTICIPATION	17
o Galeshewe Urban Renewal Programme	18
o Local Economic Development	20
o Bucket Eradication – Pre-1994	20
o Sustainable Energy and Climate Change Unit	21
o Integrated Development Planning (IDP)	21
o Municipal Infrastructure Grant – MIG	22
 CHAPTER 3 – HUMAN RESOURCES AND OTHER MANAGEMENT	 23
 CHAPTER 4 - AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION	 28
 CHAPTER 5 – FUNCTIONAL AREA SERVICE DELIVERY	 43



CHAPTER 1 – INTRODUCTION & OVERVIEW

1.1 Executive Mayor's Foreword

The annual report provides the Sol Plaatje Municipality with a welcome opportunity to reflect and report on its achievements, weaknesses and challenges to the community and all municipal stakeholders. Due to it being classified among the few high capacity municipalities in the country; it has to strive continuously to achieve the highest standards of excellence and provide the greatest public value to its citizens. When the Sol Plaatje Municipality reports on its performance achievements, it has to measure it against the strategic goals contained in the Integrated Development Plan (IDP) and the annual targets of its service delivery and budget implementation plan.

We are proud to report that the Municipality has moderately achieved its key performance objectives in accordance with the requirements of the Municipal Finance Management Act (MFMA). The attainment of these strategic goals was a concerted and all-round municipal effort to meet the expectations of the community. These goals were derived from the Municipality's interaction with the community in reviewing the IDP goals and in the formulation of the service delivery and budget implementation plans. The Municipality's institutional development and transformation process has been an important organisational imperative, enabling Sol Plaatje to improve its capabilities to meet the challenges of service delivery and economic development. These occurred within the overall political imperatives set by the provincial and national governments.

The Municipality is pleased to highlight, amongst others, the following key achievements of the past financial year:

- Local procurement has improved significantly, at 72% against the planned 60% target; however such procurement does not reflect SMME's or broad based black economic empowerment. This will be further improved in the 2008/09 financial year, when more accurate statistics will be available.
- The Municipality's service delivery targets are continuously improving; the national target to eradicate all pre-1994 bucket toilets has been achieved.
- Although the number of households in formal areas provided with metered connections is slightly below the required threshold of 1,215. The actual number of 905 achieved is significant against the backdrop of less funding to implement water reticulation projects.
- As part of its holistic sustainable energy and climate change strategy, the Municipality was successful in saving 10% on its electricity consumption. The entire strategy goals is to save 11.79 megawatts.
- The Municipality received a Vuna Award for the best IDP in the Northern Cape Province. Although this achievement is recognised, the challenge is to ensure that the strategic priorities in the IDP are sufficiently addressed through its implementation plans and resource allocations.



A lot still needs to be done. The local economic development strategy will be revised and implemented. Baseline information has been set for the financial year 2008/09, this is aimed at capturing real data with regard to the extent to which the Municipality meets the challenges of poverty alleviation, the reduction of unemployment and better service delivery.

As we close one chapter and open another in our unswerving commitment to provide improved service delivery and strive to achieve the highest standards of public value, we recognise that the support of all our stakeholders is an indispensable ingredient for our success. We are confident that this annual report reflects not only our shortcomings, but our holistic attempt to improve service delivery standards and rejuvenate our local economy. We shall always strive to be a learning organisation, ready at all times to listen to your views and to strive to raise our performance and continuously meet your expectations!

ALDERMAN PATRICK EVERYDAY
EXECUTIVE MAYOR





1.2 The Accounting Officer's Report

The Accounting Officer takes pleasure in presenting this report as part of the performance of Sol Plaatje Municipality for the year ended 30 June 2008.

NATURE OF BUSINESS

Sol Plaatje Municipality is a category B municipality in terms of Municipal System's Act and delivers the following services to the communities within its jurisdiction;

1. Provision of basic electricity
2. Provision of basic water
3. Provision of basic sanitation
4. Provision of basic refuse removal

The following are some of other services that the municipality provides

1. Health care – personal health
2. Environmental Health – inspection
3. Town planning and building control
4. Housing – flats for rental
5. Parks and recreation – facilities
6. Market

PERFORMANCE OVERVIEW

The municipality performed very well, beyond expectation in the financial period taking into account economy of the country that declined substantively. The increase in interest rates, fuel prices and the inflation did not affect the payment levels of the municipal services consumers. We managed to maintain the 80% target despite these circumstances. The fuel costs of the municipality however grew by 41% from R4 332 694 to R6 105 665. All other expenditure items affected by price increases like printing and stationery etc did not surprise us taking into account the inflation. Overall, the general expenditure of the municipality declined from R115, 578m in 2007 to R111, 952m in 2008.



Stringent control measures are sought after to reduce telephone expenditure of the municipality.

A new audit committee was appointed during 2007/2008 financial period and since their appointment, there has been a tremendous overhaul of the functioning of the municipality including the review of the audit report and action plans thereto. A word of appreciation goes to the Council of the municipality for adopting the appointments. To secure the best of the best, the hourly rates of the audit committee were revised and tabled to Council for approval, which they did without reservations.

HIGH LEVEL PERFORMANCE OVERVIEW

The strategy of the municipality is to offer and deliver an affordable package of basic services for informal settlement dwellers, small household dwellers, medium and large households as well as for business, commercial, industrial and mining. The credit control policy of the municipality is implemented consistently whilst the indigent verification process needs to be fast tracked. Use of Community Development Workers, Ward Councillors and Ward Committees needs to be explored to ensure that information with regards to the indigent households reached the municipal offices quicker and their intervention in speeding up the verification will be highly inseparable.

There has been an average of 9 600 registered and verified indigents in our database over the 12 months of 2007/08 who benefited from free basic services. An amount R20 million was budgeted for to finance the indigent free basic services and only R8 633 707 was actually spent at year end. Considering the high unemployment rates in the Northern Cape and in Sol Plaatje per se, this is not a good indicator for performance as it is less than 50% of the allocated budget.

In conclusion, a word of appreciation is extended to stakeholders, officials and politicians for their contributions throughout the financial year.

T.F. MASHILO

MUNICIPAL MANAGER





1.3 General Overview of Sol Plaatje Municipality

Sol Plaatje Municipality (Local Municipality NC091) is situated on the north eastern border of the Northern Cape Province within the Frances Baard District Municipality, almost in the centre of South Africa. The Sol Plaatje Municipality is named after a prolific journalist Solomon T. Plaatje. Solomon Plaatje was one of the most gifted and versatile Black South Africans of his generation. He made an outstanding contribution in the field of literature in both, his native tongue, Setswana and English. He was an accomplished linguist fluent in several languages and the first Black South African to publish a novel in English. Solomon Plaatje sang the first recording of Nkosi Sikelele' iAfrica. He died in 1932 and was buried in the West End Cemetery.

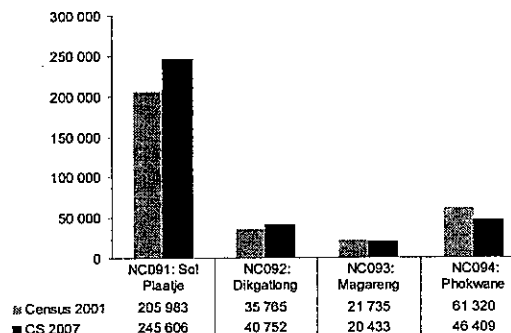
The municipality consists of the City of Kimberley, which also serves as the capital of the Northern Cape and is well connected to the rest of South Africa by road, rail and air. Ritchie, a small urban settlement (total population approximately 11,000 persons) is also situated in the municipal area. The rest of the municipal area comprises mainly private commercial farmland with extensive cattle and game farming and small pockets of crop cultivation along the banks of the Vaal-, Modder-, and Riet Rivers. The total population of the rural area is approximately 8,000 persons.

The Sol Plaatje Municipality has a total population of 245,606 persons made up of 52,120 households and covers an area of 187,300 ha. In the ten-year period 1996 to 2006 the population growth was 0.87%

The population residing in the municipal area is relatively young with 28% of the population below the age of 15 years and 6 % above the age 65 years. Only 8,1% of persons above the age of 20 have a higher education while 9,1% has no schooling at all.

It is also estimated that 32,4% of the residents of SPM are living in poverty¹

Population By Local Municipality - Frances Baard



Kimberley still holds the title 'Diamond Capital of the world'. In 1871 an 83.5-carat diamond was found on a farm close to the present location of Kimberley, which led to one of the biggest diamond rushes in the world. After the diamond rush, Kimberley became the world's largest producer of diamonds. Kimberley contributed greatly toward South Africa's economic development due to this diamond rush. The origins of this diamond rush, the Big Hole, became a world famous tourist attraction which is now a world-class open-air museum. The City holds an old-world charm with it being famous for its high quality diamonds and for the rich history and culture that it possesses. Although lacking the furious pace of South Africa's larger urban areas today, the Victorian grandeur of stately buildings still complements the urban setup.

¹ Global Insight Southern Africa, Economic, socio-economic and demographic status quo of SPM, August 2008



Although it has been a long time since the "diamond rush" and the then economic boom of the region, Sol Plaatje Municipality is still the largest contributor to the economy of the Northern Cape. It contributes 60,4% to the GDP of the Northern Cape. The four main contributing sectors to the economy is Community Services (30,9%), Finance (21,6%), Transport (16,5%) and Trade (11,3%). Mining now only contributes 8,6% to the local economy.

Total number of people employed in both the formal and informal sectors is 63,335 persons (29,4% of the population) while the number of persons unemployed, according to the expanded definition of unemployment, are 31,584 (14,7% of the population). Between 1996 and 2007 the unemployment rate increased by 4,3% and stands at 38,8% at present (2007).

The Sol Plaatje Municipality has historically developed sound basic infrastructure – which has accommodated large mines and industries. Kimberley has many pleasant neighbourhoods, a school system that performs above national norms, and a relative compact layout that locates former "township" areas close to the City Centre. In addition the municipality has one of the highest accesses to and service levels of South African cities, allowing it to address its backlogs realistically. However, consistent underinvestment in the city's existing infrastructure threatens the foundations of the local economy and the high level of service is a huge challenge to the financial sustainability of the municipality.

Thus, the Sol Plaatje Municipality, in its drive to ensure a better life for all, has started with progressive thinking and creative strategies to overcome these challenges through the review of a City Development Strategy, the Integrated Development Plan, Spatial Development Framework, Integrated Transport Plan, Local Economic Development Strategy as well as the development of an Econo-monitor that will provide consistent, accurate and timely data and estimates on everything the municipality needs to know to make effective regional business decisions and identifying programmes that will achieve the objectives set by these strategic plans.

VITAL STATISTICS

Demographic

Total Area ¹	187,300 Ha
Total Population ²	245,606
Population growth rate (1996-2007) ²	0,87%
No of Households ²	52,120
Average household income ²	R6,429 pm
Urbanisation rate ³	99,2%

Household Services

Households residing in formal house ²	83,8%
Households residing in informal structure ²	11%
Households with electricity connection ²	89,2%
Households with weekly waste removal ²	91,8%
Households with flush toilet ²	84,4%
Households with piped water in dwelling/yard ²	92,3%

Economic Indicators

Contribution to NC GDP ³	32,5%
Economic growth rate ³	3,9%
People employed ³	63,335
People unemployed ³	31,584
Unemployment rate ³	38,8%
Population aged between 20-64 ³	57%
Persons over 20 with higher education ³	8,1%
Persons over 20 with no schooling ³	9,1%
Human Development Index ³	0,67%
HIV Positive ³	9%

1SPM OWN INFORMATION

2 STATSSA – COMMUNITY SURVEY 2007

3 GLOBAL INSIGHT, AUGUST 2008



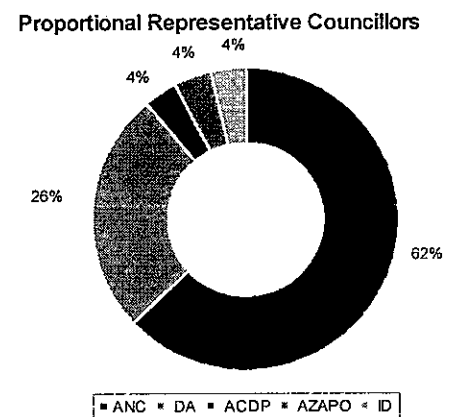
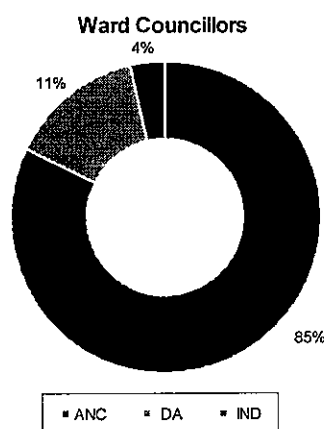
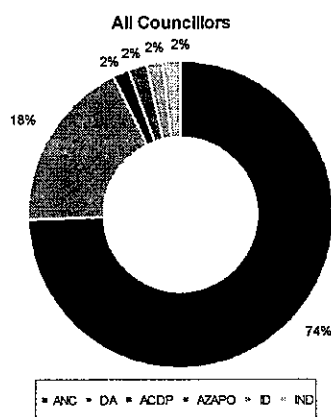


In addition the underinvestment in existing infrastructure and the investment in new productive infrastructure will be addressed through the preparation of a long term Infrastructure Operation, Maintenance, Upgrade and Replacement Strategy as well as a Comprehensive Infrastructure Plan.

The municipality is governed through a Mayoral Executive System consisting of an Executive Mayor and Speaker and 9 Mayoral Committee Members who serve as chairpersons of Standing Committees: The following Standing Committees exist (number of meetings held):

- Aesthetic, Development Planning and Infrastructure (14)
- Arts, Culture and Sport (13)
- Finance (13)
- Housing (9)
- Local Economic Development (13)
- Municipal Infrastructure Grant and Inter Governmental Relations (11)
- Organisational Development (10)
- Security and Protection Services (12)
- Social Development and Health (10)

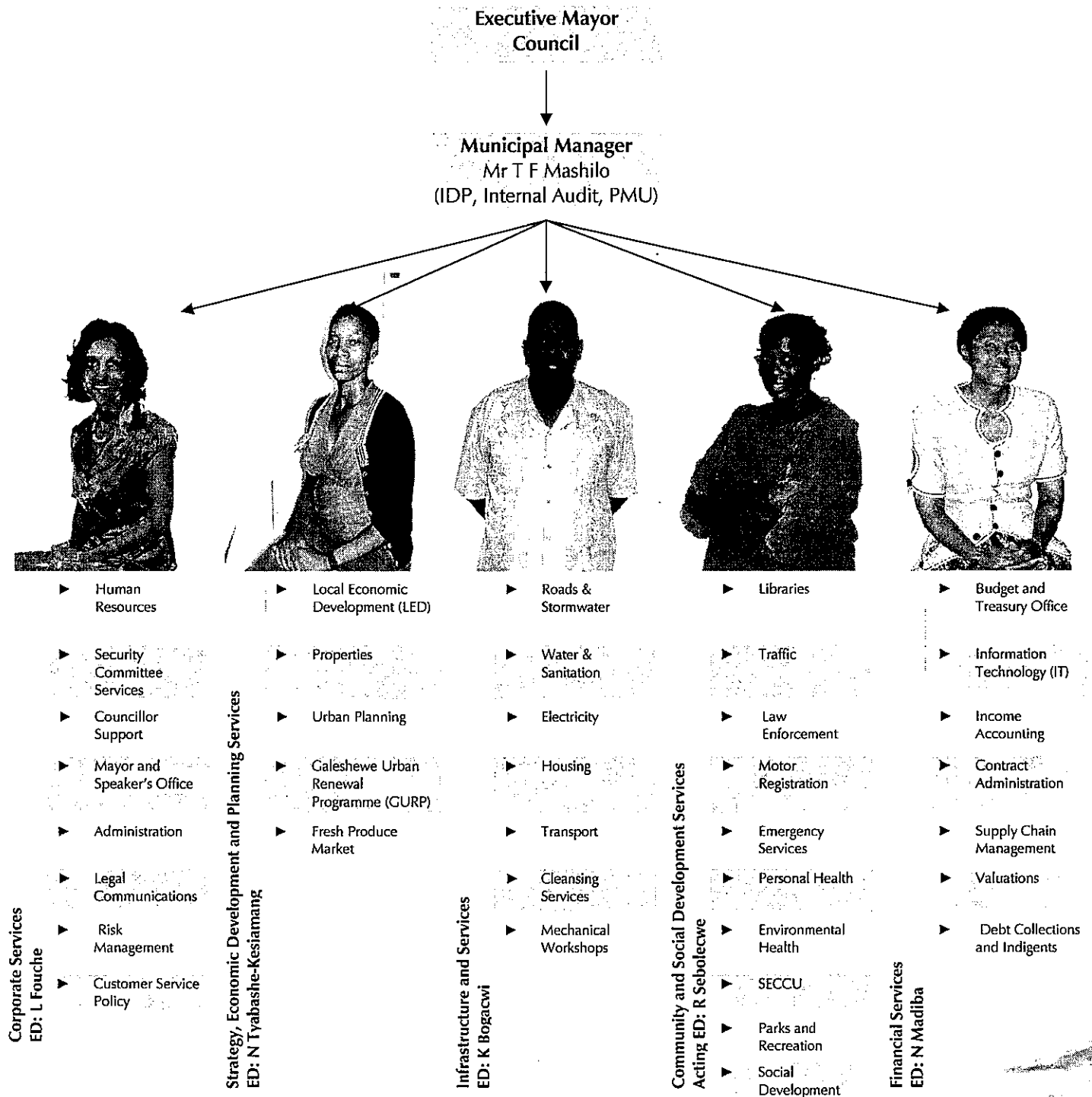
The Municipal Council consists of a total of 55 Councillors of which 28 are elected Ward Councillors (23 ANC, 4 DA and 1 IND) and 27 Proportional Representative Councillors (17 ANC, 7 DA, 1 ACDP, 1 AZAPO, 1 ID). The municipality has 28 wards with elected Ward Committees.



The Council and Standing Committees meet on a monthly basis. Twenty five (25) Council Meetings were held which include Special and Informal Council Meetings. The Mayoral Committee met 13 times during 2007/08.



The Municipal Administration is headed by a Municipal Manager with 5 Directors, each heading a Directorate and reporting directly to the Municipal Manager. The organogramme below indicates the accounting lines as well as the functional areas of each Directorate:





1.4 Executive Summary

MUNICIPAL VISION

SOL PLAATJE, A DYNAMIC MUNICIPALITY THAT PROVIDES A COMPREHENSIVE RANGE OF AFFORDABLE SERVICES TO ALL ITS RESIDENTS

MISSION OF THE SOL PLAATJE MUNICIPALITY

To be a dynamic, sustainable, and efficient municipality by:

- Focusing on institutional transformation and management systems
- Ensuring access to quality, reliable and affordable services
- Strengthening relations with all stakeholders
- Maximising income through responsible financial discipline
- Providing a challenging and rewarding working environment for all its employees.

This mission provides the foundation for the achievement of the municipality's priorities

SOL PLAATJE MUNICIPALITY'S CORE VALUES

The municipality has developed a set of value statements which are intended to govern and modify behaviour across the organization. These values will be "lived" from the top of the organization

o Customer Focus

"In everything that we do on a daily basis customer satisfaction will be our priority and in this regard the needs of the customer will be paramount."

o Integrity

"At every level of interface with our customers, partners, peers, and subordinates our conduct will be exemplary and constructive at all times."

o Honesty

"Regardless of the potential consequences, honesty will always be the best policy."

o Openness and Transparency

"Information and knowledge will be shared willingly in an open manner. There will be no hidden agendas."

o Developmental Orientation

"We recognise that the success of the municipality does not depend on our own success alone and we will actively seek participation of the public, other spheres of government and municipalities in our region and to link with other municipalities nationally and internationally."



The table below presents an overview of service delivery and financial performance highlights of the municipality during the 2007/08 financial year.

Type of service/activity	Actual 2006/07	Target 2007/08	Actual 2007/08	% Households with access
Service delivery				
Water connections to formal houses	1,640	1,215	905	82,3%
Communal standpipes informal areas	300	-	78	-
Sewer connections formal areas	1,340	-	940	84,4%
Sanitation service to informal areas (potable toilets)	-	-	20	-
Bucket toilets replaced with flush toilet	1,074	682	728	-
Upgrading of residential streets (km)	23,1	10	11,8	-
Existing roads maintained (km)	40,8 Km	-	16,6	-
Electricity connections to households	260	300	486	89,2%
Additional households serviced with weekly kerbside solid waste removal	-	-	803	91,8%
New low-cost houses built	-	-	-	83,8%
Financial Management				
Revenue collection		71%	59%	-
Capital spent		85%	85%	-
Households receiving free basic services (All)	-	-	9,678	18%

A more comprehensive report on performance information is provided in Chapter 2 within the following Key Performance Areas:

- Local Economic Development
- Basic Service Delivery
- Municipal Financial Viability and Management
- Municipal Institutional Development and Transformation
- Good Governance and Public Participation



CHAPTER 2 - MUNICIPAL PERFORMANCE

The Municipality's Integrated Development Plan (IDP) is the translation of its key strategic and political priorities into a strategic plan that becomes the basis for budget choices and the actual outcomes for residents. It defines the medium term path, spelling out the objectives the Municipality wants to achieve within a five-year period within each of the prescribed Key Performance Areas (KPA) of local government. These objectives are captured in the 5-year Municipal Performance Scorecard as quantifiable objectives linked to Key Performance Indicators (KPI) and Targets.

The municipality's annual service delivery budget and implementation plan (SDBIP) gives effect to the IDP and Budget for a specific financial year. The annual report therefore focuses on the review and reporting on the performance of the SDBIP.

The tables below indicate the performance of the Sol Plaatje Municipality within the different Key Performance Areas against the set targets for the 2007/08 financial year:

KPA 1: LOCAL ECONOMIC DEVELOPMENT

KEY PERFORMANCE INDICATOR	BASELINE 2006/07	TARGET 2007/08	ACTUAL 2007/08	EXPLANATION OF VARIANCE/COMMENTS
Percentage economic growth/decline, as measured in terms of the Econo-monitor	New	New	No measurement	No baseline has as yet been established as the Econo-monitor has only been completed in August 2008. Baseline information has been set for the 2008/09 financial year and measurements will be done for the 2008/09 financial year. This also links up with the municipality's review of the LED Strategy which will be completed by September 2008.
Number of permanent and temporary jobs created through initiatives of the SPM, including infrastructure projects	-	-	2609	This is the total number of jobs created without distinguishing between temporary, permanent, short term, long term etc.
Percentage of procurement budget spent on procuring services and goods from local SMME's and BEE's		60%	72%	The actual budget spent on procurement of services and goods refer to local business in general and not specifically for SMME's and BEE's. This will be corrected in the 2008/09 financial year when more accurate statistics will be kept since the capacity of the Supply Chain Management Unit has been strengthened since.

KPA 2: BASIC SERVICE DELIVERY

KEY PERFORMANCE INDICATOR	BASELINE 2006/07	TARGET 2007/08	ACTUAL 2007/08	EXPLANATION OF VARIANCE/COMMENTS
Number of households in formal areas provided with new metered water connections	1,640	1,215	905	Less funding was available to implement water reticulation projects.
Number of new households in informal areas connected to the water borne sewer system	1340	0	940	No target was set for the 2007/08 financial year due to a shortage of funding. Available funding was prioritised to eradicate the pre-1994 bucket system. During the financial year funding became available which enabled the municipality to service these households
Number of buckets eradicated in use in pre-1994 formal areas	1,074	682	728	The municipality achieved the National target to eradicate all pre-1994 bucket toilets.
Number of communal water standpipes provided in informal areas	300		250	
Percentage unaccounted for water	29%	16,5%	39%	
Number of households provided with a basic sanitation service in informal areas			50	The pipe-replacement programme cannot be fully implemented due to lack of water and sanitation master plan. Insufficient technical staff capacity. Bulk meters in the municipal area are not zoned and thus making it difficult to identify critical areas
Additional kilometers of roads surfaced	11,2 Km	10 Km	11,8 Km	A pilot project is presently being conducted in 2 areas of Kimberley to assess both the scope of such a plan as well as the cost for this. The municipality recognized the importance of an integrated infrastructure O&M Plan to ensure
Availability of a 5-year Integrated Infrastructure and Assets Maintenance and Operations Plan	20%	100%	70%	the maintenance; upgrading and replacement of its ageing infrastructure which is also a contributing factor in the unacceptable levels of both water and electricity losses. Discussions have also been entered into with DBSA to assist the municipality in this process.
				Linked to this process, the municipality has also embarked on a process to develop a Comprehensive Infrastructure





2017/18 Annual Report

KEY PERFORMANCE INDICATOR	BASELINE 2006/07	TARGET 2007/08	ACTUAL 2007/08	EXPLANATION OF VARIANCE/COMMENTS
Number of families provided with low cost houses	-	-	-	Plan along the Guidelines provided by DPLG. This will be a long-term infrastructure investment plan for new infrastructure to address service backlogs but also to provide for new productive economic infrastructure.
Number of households provided with electricity connections	260	300	486	The municipality did not receive any housing subsidies during the 2007/08 financial year as the Provincial Department of Housing and Local Government have implemented all housing projects within the municipality.
Percentage unaccounted for electricity losses	14,34%	13%	13,97%	A pilot project is presently being conducted in 2 areas of Kimberley to assess both the scope of such a plan as well as the cost for this. The municipality recognized the importance of an integrated infrastructure O&M Plan to ensure the maintenance; upgrading and replacement of the ageing infrastructure which is also a contributing factor in the unacceptable levels of both water and electricity losses. Discussions have also been entered into with DBSA to assist the municipality in this process.
Number of additional households provided with waste removal services		New households receiving service	803	No target set as all households are receiving a weekly kerbside solid waste removal service. Informal settlements are service by bulk containers which are emptied on a weekly basis.
Development of a Sustainable Energy Strategy	50%	65%	75%	A series of workshops have been held in order to compile the first draft of the Sustainable Energy Strategy which will be completed by the end of the year.

KPA 3 – MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

KEY PERFORMANCE INDICATOR	BASELINE 2006/07	TARGET 2007/08	ACTUAL 2007/08	EXPLANATION OF VARIANCE/COMMENTS
Revenue collection rate		71%	59%	
Payment level		71%	59%	
Percentage of the capital budget spend annually		85%	85%	
Ratio of debt coverage		2:1	31,06:1	
Ratio of outstanding service debtors to revenue		1:1	2,46:1	
Ratio of cost coverage		1:1	2,46:1	

KPA 4 – MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

KEY PERFORMANCE INDICATOR	BASELINE 2006/07	TARGET 2007/08	ACTUAL 2007/08	EXPLANATION OF VARIANCE/COMMENTS
Representativity in terms of the Soli Plaatje Municipality's Equity Plan		100%	80%	
Improve turnaround time of the Procurement Process (weeks) to procure goods and services according to the Supply Chain Management process		<p><R30k=2 wks</p> <p><R200k=21days</p> <p>>R200k=6wks</p> <p>Highly technical bids requiring expert advice and ppp's = 9 months</p>		Delays are still being experienced in approval times due to comments being submitted late from other departments/sections in the municipality. This aspect could also be ascribed to lack of capacity, especially in the engineering fields. This is will be addressed in different ways such as appointment of technical staff as well as buying in of technical services from qualified service providers
Improvement on turnaround time (weeks) on applications for building plan approval from date of receiving the correct and complete application		2	3	



Municipality

KEY PERFORMANCE INDICATOR	BASELINE 2006/07	TARGET 2007/08	ACTUAL 2007/08	EXPLANATION OF VARIANCE/COMMENTS
Improvement on turnaround time (weeks) on applications for development applications from date of receiving the correct and complete application (excl. appeals, EIA's, Traffic Impact Studies, etc.)	-	24	40	Delays caused by Council Committee meetings being postponed or not taking place and comments received late from other departments/sections of the municipality and specifically the Electricity department where a capacity gap exist due to staff losses. This will be addressed in different ways such as appointment of additional technical staff as well as buying in of technical services from qualified service providers.
Finalisation and implementation of a Human Resource Strategy		100%	75%	The completion of the HR Strategy was delayed to the revision of various policies affecting Human Resources. A draft Strategy is in place.
Expenditure (%) of the allocated budget to implement the Workplace Skills Plan	-	100%	100%	
Design of the Organisational Structure		100%	20%	A draft Organogramme was designed with the assistance of service provider. However, due to internal processes within the organisation this process was put on hold and a final Organogramme has yet to be approved by Council. The internal processes, including a Skills Audit is ongoing, after which the Organogramme will be finalised. The Executive Management Team has prioritised this as it also affects the rising cost of personnel due to ad-hoc appointments which makes it difficult to predict and plan for personnel costs and proper recruitment.

KPA 5 – GOOD GOVERNANCE AND PUBLIC PARTICIPATION

KEY PERFORMANCE INDICATOR	BASELINE 2006/07	TARGET 2007/08	ACTUAL 2007/08	EXPLANATION OF VARIANCE/COMMENTS
No of ward committees established and functional	-	28	28	The IDP Representative Forum was formally constituted on 14 November 2006.
Percentage progress to formally constitute an IDP Representative Forum	100%	100%	100%	A draft Communication Strategy has been compiled and has been circulated to management for final comments before it will be submitted to council for formal approval in September 2008.
Percentage progress in developing a Comprehensive Communication Strategy for Sol Plaatje Municipality	50%	100%	95%	Management has prepared an Audit Intervention Strategy to address all the qualifications in the 2006/07 Audit Report that led to a disclaimer. A large number of these issues have already been addressed and the implementation of the Audit Intervention Strategy is treated as a high priority and will reflect in both the municipality's SDBIP for 2008/09 as well as all the performance agreements of managers directly accountable to the Municipal Manager.
Progress in attaining an unqualified Audit report		Qualified Audit Report		Research in terms of customer care is ongoing and a visit to Buffalo City Municipality is planned in order to visit a best practice example to assist Sol Plaatje in this regard. A draft Service Delivery Action Plan has been completed for discussion with management.
Percentage progress to measure customer satisfaction according to the Likert Scale	0	0	5%	



Other performance highlights to mention are the following:

o Galeshewe Urban Renewal Programme

Galeshewe is one of the oldest townships in South Africa, having developed during the Kimberley diamond rush in the 1880's. Galeshewe is a dormitory suburb situated northwest of Kimberley CBD for the city's working class. Like any Black Township, Galeshewe poses a number of social, economic and environmental challenges that needs to be redressed to realize a better quality of life for all. Galeshewe was identified as one of eight urban nodal areas in South Africa in February 2001 that were to benefit from a National Urban Renewal Strategy announced by Pres. Thabo Mbeki on 9 February 2001. The President emphasized that Urban Renewal, which is focused on the areas of greatest deprivation, should include investment in economic and social infrastructure, human resource development, enterprise development, the enhancement of the development capacity of local government, poverty alleviation and the strengthening of the criminal justice system.

The Galeshewe Urban Renewal Programme seeks to build on the assets that make Galeshewe unique. Three strategic themes have been identified to do this:

- PEOPLE: The development of the people and the community - building on the strength, unity and potential of the people of Galeshewe;
- PROSPERITY: The economic development and tourism opportunities - building on the unique 'green' pilot projects and the heritage history of Galeshewe; and
- PLACE: The creation of a quality, safe and pleasant place for people to grow - building on the availability of public sector money.

2007/08 GURP PROJECTS

Project Name	Project deliverables	Actual start date	Planned finish date	Project cost	Project Status
Galeshewe Redevelopment Project (NDPG)	Nodal supply and demand analysis (market potential study)			R 18,500,000	
	Public Investment Plan (Galeshewe wide study)	01.07.07	31.04.09	R 425,000,000	Project Underway
	3 Nodal Business plans (focused per node)				
Business Centre Revival Project	<ul style="list-style-type: none">• Tyala Shopping Centre• Phajane Shopping Centre• Madalane Shopping Centre• Jabulane Shopping Centre	01.07.07	31.04.08	R 3,300,000	Project Completed



Project Name	Project deliverables	Actual start date	Planned finish date	Project cost	Project Status
Twinning Partnership (CURP, Mdatsane URP & Motherwell URP)	The intention is to create a viable tripartite development partnership between 3 Urban Renewal nodes, i.e Galeshewe, Mdatsane and Motherwell, with a focus on LED, SMME development and the implementation of projects.	01.12.06	Ongoing	Project is financed by DPLG & GTZ	Project was successful Launched in Sep 2008.
Upgrading of gravel roads to surface standards	Surface of roads with paved blocks	01.07.07	31.03.08	R 5,500,000	Project Completed
Magistrate Court	Construction of a new Magistrate Court in Galeshewe			R 40,000,000	Project Underway
ILO (SAY-JUMP)	Skills training for young women and men on cooperative group entrepreneurship and SMME development; Poverty alleviation through community-based job creation schemes in rural and urban areas; and Empowering young women for long-term livelihood security	01.05.07	31.12.09	ILO	Project Underway
CCTV Camera's	Installations of 15 CCTV Camera's in Galeshewe	01.07.07	31.06.09	SAPS – R4,000,000 SPM – R 800,000	Roll Over Project 2008/09 Financial year
Maintenance of four Parks & Sports Facilities in Galeshewe	Site clearance, application of fertilizers, general maintenance	01.11.07	31.06.08	R 600,000	Project Completed
Rehabilitation of Galeshewe Cemetery	Fencing of the Cemetery	15.08.07	15.12.07	R 500,000	Project Completed
Galeshewe SMME Village	The (Small, Micro and Medium Enterprises) SMME Village or Incubator Centre on the corner of Hulana and Tyala Street, the project entails the construction of a 19 trading areas for PDI SMME's; the building will entail office space, light industrial and service trade.	01.04.07	01.12.09	R 12,000,000	Project Underway



o Local Economic Development

During 2007/8 a service provider was commissioned by the municipality to review the current Local Economic Development (LED) Strategy, within the context of:

- The lack of adequate impacts of the existing LED strategy on the Sol Plaatje local economy
- The much-changed governance and policy environment since the adoption of the existing LED strategy
- Changed/changing conditions since 2002/03 and to understand the true importance of LED for the Sol Plaatje Municipal Area
- To align the LED Strategy with the longer term City Development Strategy, National, Provincial and District growth and development strategies, including Sector Department strategies.

Furthermore, it is also aimed at ensuring that the municipality can efficiently and effectively facilitate the creation of an appropriate enabling environment conducive to economic development and investment.

To assist the municipality in this effort it also, in collaboration with skilled service providers developed an Economonitor. The Economonitor provides a unique, disaggregated and consistent view of the Sol Plaatje Municipality's socio-economic structure and market potential on a regional basis. It is foreseen that the Economonitor will become the first port of call for consistent and reliable data for Sol Plaatje.

Users of the Economonitor will be able to:

- Gauge market size and potential in the regions in which Sol Plaatje Municipality operate or plan to invest
- Develop a successful regional strategy based on dependable data and estimates
- Compare markets easily with data that have been chosen for consistency from region to region and industry to industry

The Economonitor will also put Sol Plaatje in a position to measure the economic trends within the local economy and to assist all roleplayers in the local economy to ensure sustainable local economic development in the region and to achieve the national goals for economic development and job creation.

o Bucket Eradication – Pre-1994

In the Financial Year 2007-2008 the Government set as some of its national targets, the eradication of all Pre-1994 bucket systems by December 2007 and total sanitation backlogs by 2010. Sol Plaatje Municipality is proud of the fact that it reached this target with a total number of 385 pre-1994 bucket systems being eradicated. Though the pre-1994 bucket systems were eradicated a concerted effort is made to eradicate the post-1994 bucket systems as well in order to reach the 2010 sanitation target as well.



o **Sustainable Energy and Climate Change Unit**

This unit was created in 2007 in order complement the municipality's vision, policies, and programmes identified in the Integrated Development Plan (IDP), especially in terms of the present energy crises in South Africa and also to address the issue of climate change. Its first major goal is to develop a Sustainable Energy Strategy for the municipality and all its communities. This Sustainable Energy Strategy will address energy efficiency and climate change mitigation at a local authority level by focusing on the efficient utilization of energy resources. The process is 90% complete and the Sol Plaatje Energy and Climate Change Strategy (SPECCS) is due for council approval in March 2009. The implementation process is the following step.

The following results have already been achieved:

1. The municipality has already completed retrofitting of some of its streetlights. 129 streetlights in Kimberley were retrofitted with a 350 watt conversion lamp. This resulted in a direct cost saving of R28,107.00 in terms of replacing and maintaining streetlights in Kimberley.
2. The following Green House Gas emissions savings were effected based on the ESKOM model conversion figures for 2002:
 - CO₂ emissions saving = 50.68 tons per annum
 - NO_x emissions saving = 2,04 tons per annum
 - SO₂ emissions saving = 4.5 tons annum
 - Reduced atmospheric light pollution

Due to the implementation of the Hot Water Load Control Initiative between Eskom, Sol Plaatje Municipality and Escotek and the CFL Rollout Strategy, the municipality was successful saving 10% on its electricity consumption. The project entailed the installation of 14,703 ripple control relays at residential households. In total 17,161 will be installed. The entire project will eventually constitute a saving of 11.79 MW. This value accounts for 12% of the municipality's maximum demand of 106 MW.

o **Integrated Development Planning (IDP)**

The Municipality received a Vuna award for the best IDP in the Northern Cape Province. Although this achievement is recognised the challenge still remains to ensure that the strategic priorities in the IDP are sufficiently addressed through its implementation plans and resource allocations. The implementation of the IDP through the alignment with the Municipality's multi-year budgeting process and annual service delivery and budget implementation plan remains a high priority.

In this endeavour the Municipality has with the assistance of service providers successfully developed an electronic management system to manage, monitor and report on IDP implementation and SDBIP performance. This system also uses business intelligence reports through Qlikview software to report on various aspects of organisational performance via "dashboard" reports. This is a valuable management tool to the Executive Management Team and Councillors to intervene in those areas where performance and service delivery is not up to standard.





o Municipal Infrastructure Grant – MIG

Whilst the vision of the Municipal Infrastructure Grant (MIG) programme is aimed at providing all South Africans with at least basic level of service by the year 2013, municipalities are responsible for planning municipal infrastructure and for using MIG to deliver the infrastructure. Sol Plaatje Municipality is one of the beneficiaries of such a grant and the funds are focused on addressing backlogs in water, sanitation, roads (including stormwater) and electricity (street lights). All projects identified by the municipality forms part of the IDP. Reporting relating to MIG issues confirms with DoRA requirements.

The Sol Plaatje Municipality has planned and implemented projects ranging from; Street lights; Stormwater channels; Upgrading of Roads and Bucket Eradication in the Financial Year 2007/2008. The following project outputs were achieved:

PROJECT NAME	BUDGET AMOUNT	PROJECT DELIVERABLES
Soul City : Bus and Taxi Routes (Proj 74)	R 1 065 872	2500m of new gravel road in the Soul City area
Zone 2 & Mathibe Grounds bucket eradication (Proj. 825)	R 493 506	Eradication of 69 bucket toilets into waterborne toilet structures in the Zone 2 and No.5 area
Nxumalo Ext. Bucket eradication (Proj. 824)	R 379 574	Eradication of 131 bucket toilets into waterborne toilet structures in the Nxumalo area
Ritchie/ Rietvale Bucket Eradication (Proj. 829)	R 1 482 912	Eradication of 185 bucket toilets into waterborne toilet structures in the Ritchie area
Paving of Streets and Stormwater (Proj 105)	R 5 770 627	Upgrading of 3347m of streets from gravel roads to paved standard in various Wards within Galeshewe
Kimberley: Streetlights (Proj 72)	R 1 000 000	Erection of street lights in the following areas: Thutlo Street - 38 Streetlights and Stamper Str. 28 Streetlights

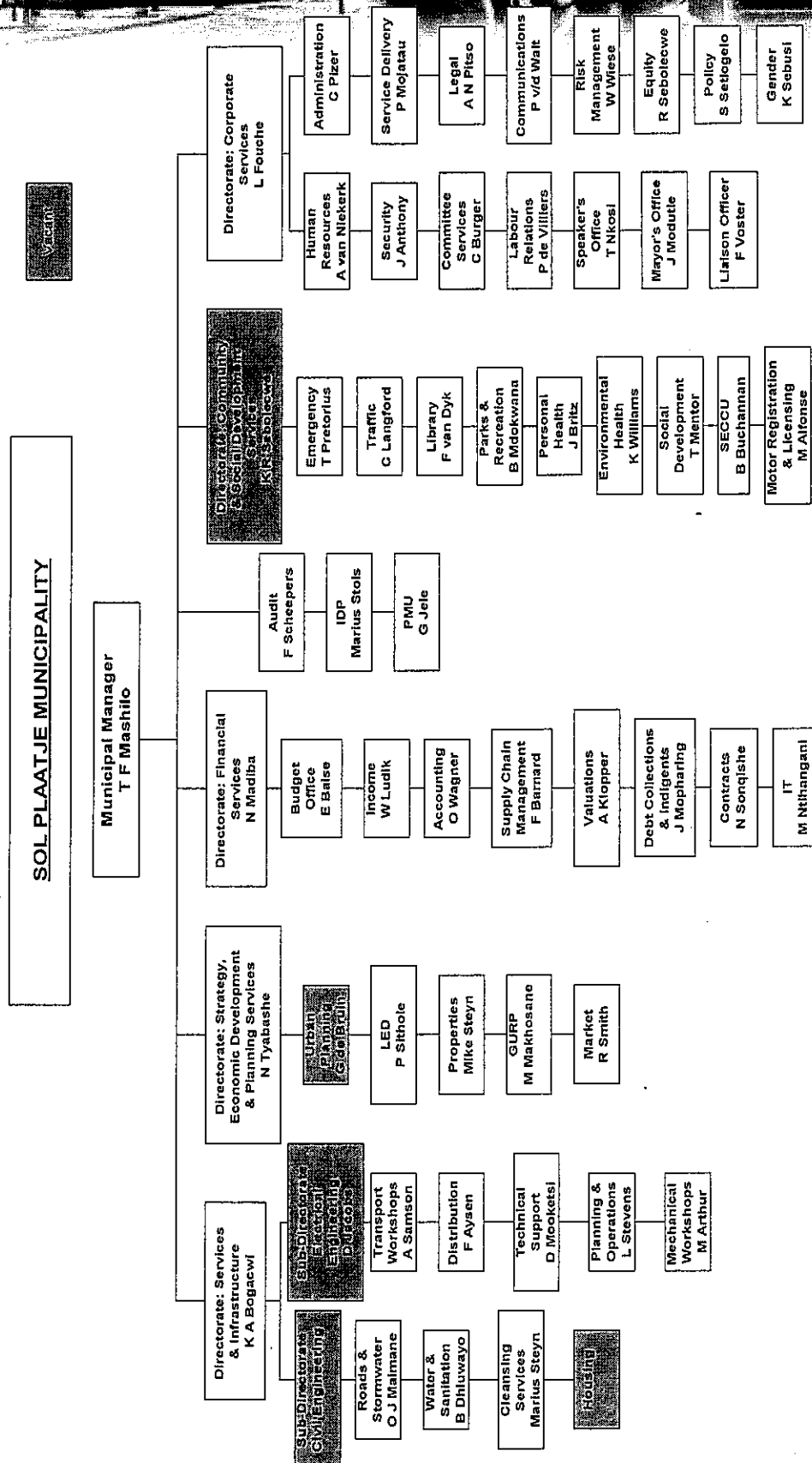
NB: Projects not listed are projects that were not complete by end of financial year and has been rolled over to the 2008/2009 Financial Year.

Out of the above projects outputs, the following was benefited by the Community of Sol Plaatje through this programme:

- Employment creation which lead to poverty alleviation;
- Reduction in crime through installation of high mast and street lights;
- Healthier standard of living by eradicating bucket systems;
- Improved access to residential and business area through better roads;
- Improved service delivery initiatives and
- Enhancement of Local Economic Development.

CHAPTER 3 – HUMAN RESOURCES AND OTHER MANAGEMENT

The Municipality has a total of 1 799 employees, of whom 1 382 are permanent and 417 temporary staff members. The employee related cost constituted 38,3 % of the total Operating Budget.





Skills development for both employees and residents of Sol Plaatje is critical and in line with the IDP. Two employees are participating in the Electrical Apprenticeship learnership. This approach maximises human development and capacitates people for both present and future employment. During the 2007/2008 financial year, 7 experiential training students received training in various fields. A total of 266 employees received training in the 2007/2008 financial year, at a cost of R600 811-56.

The following table provides a breakdown of training beneficiaries as a % of the total per group:

Occupational Group	Total
Legislators	48,21 %
Directors and Corporate Managers	21,31 %
Professionals	18,75 %
Technicians and Tradeworkers	12,50 %
Community and Personal Service Workers	14,53 %
Clerical and Administrative	27,30 %
Machine Operators and Drivers	7,63 %
Labourers	7,67 %

A break-down of ABET attendance is as follows:

Abet Levels	Number
ABET Level 2	4
ABET Level 3	8
ABET Level 4	12

Summary of Beneficiary Trained Data:

Total number of beneficiaries	266
Beneficiaries as % of total employees	15,4 %
Total number of black beneficiaries	234
Black beneficiaries as % of total beneficiaries	87,97 %
Total number of woman beneficiaries	121
Woman beneficiaries as % of total beneficiaries	45,49 %

The Municipality's External Capacity Development and Skills Development Programmes are NQF aligned.



The Council recognises that raising motivation and skills levels is essential to continued improved service delivery. As a result skills development of the employees of Council is a top priority. Skills development is aimed at developing skilled employees to perform their jobs to acceptable standards.

The Skill programme planned for 2007/2008 financial year targeted all employees from executive to elementary levels. Emphasis was placed on Finance for Non Financial Managers for Councillors, Abet Training, Basic Safety, Batho Pele / Client Services, First Aid, and Supply Chain Management.

The following table indicates the number of employees trained per course.

Training Course	Number
Abet Level 2	4
Abet Level 3	8
Abet Level 4	10
Basic Safety	38
Advanced Fire Protection	3
Batho Pele (Client Services)	61
Assessors Training	12
Basic Cable Fault Location	3
First Aid Level 1	60
Health & Safety Rep	10
Certificate in Management Development	1
Problem Solving & Decision Making	16
Electrical Apprenticeship	2
Finance for non Financial Managers	27
Workplace Communication	6
Heil Compactors	4
Moderators Course	9
Project Management	1
Protocol	29
Supply Chain Management	25
Waste Water Treatment	5
TOTAL	334



The employment equity policy of the municipality aims to:

- Foster diversity in the workplace
- Eliminate all forms of discrimination
- Ensure that all people in the region are equitably represented within the municipal administration
- Prepare the ground for effective change through appropriate and ongoing investment in training and development
- Prohibit and combat unfair discrimination and harassment among employees
- Provide reasonable accommodation of designated groups, and in particular people with disabilities.

The plan intends to address numerous affirmative actions such as the auditing of policies for discriminatory clauses, diversity management interventions and an audit of the work environment for "friendliness" to people with disabilities. All employment policies and practice are reviewed to be in line with best practices and legislative requirements.

Occupational Categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	25	5	0	18	11	1	0	2	62
Professionals	17	12	0	17	14	9	1	16	86
Technicians and Associate professionals	13	18	1	6	4	1	0	1	44
Clerks	115	46	1	7	146	71	2	55	443
Service and Sales Workers	72	45	1	13	28	19	0	4	182
Skilled Agricultural & Fishery workers	0	0	0	0	0	0	0	0	0
Craft & related trades	20	24	1	8	2	0	0	0	55
Plant & Machine Operators & assemblers	72	61	1	3	0	0	0	0	137
Elementary occupations	562	200	0	5	94	21	0	3	885
Apprentices	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	634	328	5	65	181	81	3	73	1 370
Non-permanent Employees	262	83	0	12	118	41	0	8	524
TOTAL	896	411	5	77	299	122	3	81	1 894
Persons with disabilities	0	0	0	2	0	0	0	2	4



Currently, 89% of all executive managers are from the designated groups

The Municipality values stability in the workplace and, through the Labour Forum, all labour-related issues are ironed out between the employer components and the labour components represented by the trade unions IMATU and SAMWU.

Staff movements – terminations and appointments for the current financial year – are indicated in the table below:

	MALE				FEMALE			
	African	Coloured	Indian	White	African	Coloured	Indian	White
90 Terminations	47	25	-	4	6	5	-	3
67 Appointments	20	10	3	5	14	11	-	4
62 Promotions	26	19	1	5	15	5	-	1

The following table presents information on the pension funds in existence in Sol Plaatje Municipality:

	Number	Council contribution %	Defined benefits	Defined contribution
SALA	461	20.78%	All	-
CJF/CJPF	747	18%	167	580
SAMWU	61	18%	-	All
MEPF	63	15%	All	-
MCPF	38	28.75%	All	-
IMATU / SANLAM	2	18%	All	-

No future risk, post-retirement has been budgeted for.

The following table illustrates information on the medical aid schemes in operation in the Municipality:

Scheme	Council's Annual Contribution
LA HEALTH	R68,564.65
BONITAS	R781,420.92
HOSMED	R21,574.20
MUNIMED	R181,519.62
SAMUWMED	R173,145.60

The above amounts reflect Council's monthly portion of contribution.





CHAPTER 4 - AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

The municipality is required by law to conduct its business efficiently and to ensure that it has sound financial management policies in place, which are strictly adhered to. National Treasury has issued quite a number of regulations in this regard to ensure uniformity and consistency in the application of Local Government Municipal Finance Management Act of 2003.

The purpose of Treasury Regulations is to provide clarity about accountabilities of officials, senior managers, executive directors, chief financial officers and the accounting officer who is the head of administration of a local council. These regulations should be read with other pieces of legislation and the constitution of the country.

The financial period 2007/2008 has been challenging and due to this, decisions were taken to ensure changes for the better management of financial resources of the council. The following are headlines of major decisions that were taken:

- In August 2007, a new electricity vending system was commissioned
- In September 2008, the implementation of the new financial system began, and this continued until 30 June 2008,
- On the 1st of July 2008, the financial system went live

The increases of electricity tariffs by NERSA and the downscaling of electricity supply by Eskom affected us during the period, and as a result of this, an adjustment budget had to be tabled. The total bulk purchases allocation had to be increased from R112 million to R116 million and the actual spent at 30 June 2008 was R112,3 million. The load shedding did not impact adversely on our budgeted revenue from electricity despite the fact that we achieved the 10% saving of electricity usage prescribed by Eskom.

With the assistance of National Treasury, Moody's Investors Service, an international acclaimed credit rating company rated the municipality on an international scale. This report was received in July 2008, with the following ratings:

<u>Category</u>	<u>National Scale Rating</u>
Outlook	Stable
Issuer Rating	A3.za

This is by no means the best rating as other municipalities in the same category as Sol Plaatje Municipality and also being classified as high capacity by National Treasury are rated zaA for long term and zaA2 in the short term.



The following factors have been highlighted by Moody's as the most critical that impacted negatively on the rating they arrived at;

Credit challenges for the Municipality of Sol Plaatje include:

- Relatively low debtors' collection rate might impact negatively on cash flow and the ability of the municipality to fund infrastructure development though this is regarded priority by Sol Plaatje Municipality and is being strategically reinforced.
- Maintenance expenditures on existing infrastructure are considered not at an optimum level, and could have material cost implications over the long term though Sol Plaatje Municipality have allocated substantial amounts to redress this matter.
- Political instability can affect the operations of the municipality though the Sol Plaatje Municipality has a very strong administration
- Inadequate capacity and managerial experience in technical infrastructure services can affect infrastructure planning and development

Rating outlook²

The stable outlook on Sol Plaatje's rating reflects Moody's expectation that its debt burden will remain manageable even though large scale capital investment is planned and that the challenges relating to debtors collection will be managed.

What could change the rating up?

Continued focus on improving the financial profile of the municipality and further diversifying the local economy could have positive rating implications for Sol Plaatje.

What could change the rating down?

A slackening in fiscal discipline as well as a more rapid decline in the diamond mining sector, leading to significant weakening of the debtors' collection rate and liquidity, could apply downward pressure on the municipality's rating.

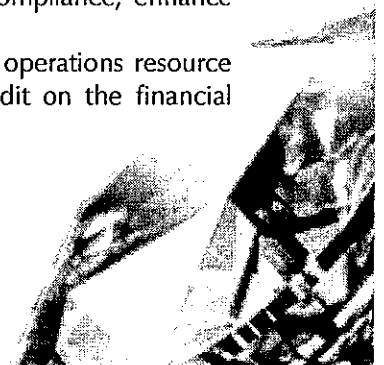
We will be working hard in the financial period to address the above listed challenges and we are positive that when the financial management status of the municipality is assessed again for credit rating purposes, we will achieve a better rating, and we will continue to work hard as our target is to be rated the best sound financially managed municipality that is liquid enough, as required.

The year ahead

The results achieved in 2008 financial period were very good as for the first time, over 80% of the capital budget was spent at 30 June 2008. We will continue to provide an environment that enables this kind of performance. The Financial Services Directorate has restructured its middle managers structure, to reduce the number of staff reporting to the Chief Financial Officer. This move was based on needs analysis conducted by the directorate itself. We are positive that this move will accelerate compliance, enhance effectiveness and performance and increase staff productivity.

We will undertake several projects as a directorate including the continuation of the operations resource expenditure analysis at an expanded scale and perform a post implementation audit on the financial system.

² Extracted from the Credit Rating Report – Moody's





We are confident that we will continue making a significant impact to the communities through improved service delivery and customer satisfaction endeavours.

I am taking this opportunity to thank everyone for their inputs in the completion of this annual report.

Financial Overview for 2007/2008

Funds and reserves	552 913 883	490 345 262
Long term liabilities	46 599 946	50 611 495
Debtors	183 862 386	156 447 030
Bank and short term investments	79 038 735	77 038 815
Total income	656 689 786	583 695 569
Operating expenses	594 121 165	529 242 602
Operating surplus	62 568 621	54 452 967

Sol Plaatje Municipality is the largest municipality in the Northern Cape and the only local authority classified as high capacity municipality in the province. Though the financial performance is not pleasing with seven disclaimers issued by Auditor General in succession, for the financial statements of 2008, we received another disclaimer. Comparing all these audit reports – their contents thereof, there has been significant improvement especially with reference to disclosure requirements, the accounting policies, and there is still much work that needs to be done to ensure compliance with the Municipal Finance Management Act, the Municipal Systems Act, the Municipal Structures Act, and Treasury Regulations, with emphasis on the supply chain regulations.

Like other local authorities, the Sol Plaatje Municipality has similar revenue sources and comprise primarily of income from property rates, service charges from sale of water and electricity. A gross breakdown of gross revenue sources is as follows;

	R/m	%	R/m	%
Property rates	120,750	18,39	99,894	17,11
Grants and subsidies	117,247	17,85	95,696	16,40
Electricity	117,104	17,83	154,487	26,47
Water	85,502	13,02	92,251	15,80
Other service charges	204,933	31,21	132,153	22,40
Other income	11,154	1,70	9,215	1,82



From the table, it can be seen that Sol Plaatje Municipality receive a smaller portion of its income in the form of grants. The total grants and subsidies include equitable share, and other national, provincial and district grants and subsidies of various natures.

The primary revenue source is property rates levied on the value of land, including the value of improvements. In 2008, this revenue source contributed to the total revenue of the municipality. Our property valuation roll demonstrates a well diversified and stable tax base as follows:

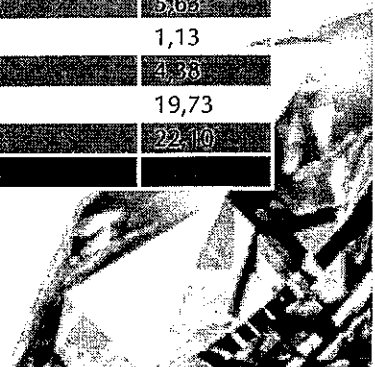
	R'm	R'm
Residential	49 825 137	45 400 710
Business	29 710 022	29 993 060
Residential Business	2 873 343	2 858 563
Rural	134 639	146 330
Industrial	3 335 171	3 311 444
Post Office	0	5 872
State	32 320 508	16 869 923
Mining areas	2 551 539	1 308 316
Exempt	0	0

Trading services such as water and electricity sales jointly contribute 35,85% of total revenue. Water distribution losses remain high compared to the targeted percent of 15 in terms of the Service Delivery and Budget Implementation Plan. There are strategies that are put in place to reduce water losses to the desired 15% over the medium term.

The operating budget of the municipality is inflexible and requires financial discipline to keep costs within the budget. Some categories of expenditure were overspent at year end whilst some were within the allocated budget. All these over-expenditures were reported to Council as they would have resulted in unauthorised expenditure. The overall actual expenditure was below the budget.

The expenditure grew by 10,94% year to year, and the revenue grew by 11,11%. At the end the financial period, we closed our books with a surplus of R62 568 621 compared to R54 452 967 of 2007. The table below shows the operating expenses of the municipality.

	R	%	R	%
Employee related costs	227 546 153	38,29	199 362 788	37,67
Councillors remuneration	9 407 027	1,60	9 655 238	1,8
Bad debts	60 000 000	10,00	40 000 000	7,56
Depreciation	23 149 191	5,58	29 812 962	5,63
Interest paid	5 594 814	0,94	5 960 617	1,13
Maintenance costs	33 145 191	5,53	25 202 551	4,38
Bulk purchases	112 341 689	18,91	104 437 859	19,73
Other expenses	113 606 061	19,10	116 809 595	22,10





The municipal services are labour intensive and staff remuneration normally contributes a large portion of the municipality's expense budget. The employee related costs to income ratio is 34,65% compared to that of 34,15% in 2007. Councillors' remuneration forms a small portion of the total expenditure. The municipality has no water resources of its own and buys all of its water from Department of Water and Forestry.

The repairs and maintenance of infrastructure is very crucial and actually receives less priority than other expense items. The deferment of maintenance is common practice at local authorities. Whilst this has short term cash flow benefits, it has adverse effects on operating costs and sustainability of service delivery. The repairs and maintenance budget is only 5,58% of the operating budget (4,38%: 2007) versus the fixed assets with the carrying value of 62,31% of total balance sheet (61,83%: 2007). The Council has now realised that the repairs and maintenance budget is not at optimum levels and an integrated maintenance plan is in the draft format currently and will form part of the key strategies for implementation in the next financial period.

Debt management

The city's financial strategy is considered conservative and borrowing is kept at relatively low levels. We have entered into a loan agreement with DBSA of R35 million and about R14 million of that were spent as at 30 June 2008. This will result in increased future interest bearing borrowings. The debt to revenue ratio of the municipality is 1:14 or 7,10% compared to that of 1:12 or 8,67% in 2007.

Pressures on capital budget will continue in the foreseeable future as the municipality has no sufficient reserves to invest in capital development. We are currently able only to provide for the counter funding as required by various national and provincial grantors. Despite this, the city has a dire need for infrastructural development including the expansion of a sewer plant that currently operates beyond its capacity and is overflowing. Roads has a backlog with regards to maintenance. The storm - water is inefficient during flash floods and rainy seasons, but still the capital budget of each year is not fully implemented to address theses inefficiencies and backlogs.

We are busy investigating other finance sources to boost our capital budget to deal with these backlogs once and for all. We have appointed qualified engineers for roads and storm - water and one for water and sanitation, with positions of assistant city engineers reporting directly to them. The aim here is to create capacity in the two fields and create focus on both implementation of projects and management of daily operations. We will see the results of these when the performance is evaluated at the end of 2009 financial year.



The table below reflects future capital plans for the next three years:

2008/09	200 654 401	9 000 000	75 000 000	116 654 401
2009/10	53 190 413	0	27 000 000	53 190 413
2010/11	53 076 100	0	0	53 076 100

On the tabling of final budget for the 2008/09 financial period, the Council resolved to procure another loan of R73 million to address the water related infrastructure backlogs as has been indicated earlier that our water losses are high. This is however looked at to ensure that the borrowings are within an affordable level and is in line with the revenue growth of the municipality. It is unlikely that interest bearing borrowing will reach a 35% level compared to revenue as it is with other municipalities of the same size in the medium term.

The interest charges are less than 1% and with this new borrowing they are expected to reach 1,41% in 2009 if drawings of the total projected loan amounts are made. The additional payments will be approximately R3,2 million with an average loan life of 20 years.

It should however be taken into cognisance that the cash and cash equivalents increased and short term investments decreased by 100%. This is as a result of reclassification of short term investments to cash and cash equivalents. Future cash flows are expected to be healthy and will remain sound.

Liquidity management

For the year ender review, the municipality's liquidity remained sound given the net cash resources and monthly cash flows. We need to urgently look at investing in an active cash management system to control this crucial aspect of finance. A research will be conducted to establish how other municipalities deal with this and whether they have system in place to manage their cash flows and based on the results, a decision will be taken.

During 2008, the municipality's net debtors increased by 14,91% to R183 862 386. The debtor's collection rate as a percentage of billings is 85, 08% (this is calculated from the perspective of annual increase in debtors balances at year end).





Debtors age analysis

CLASSIFICATION BY TYPE

Rates	6 565 697	1 665 653	1 391 621	45 274 057	54 897 028
Services	30 737 656	7 258 569	6 498 860	172 175 447	216 730 932
Miscellaneous	20 936 459	1 169 818	2 915 845	80 349 465	105 371 587

CLASSIFICATION BY CONSUMER TYPE

Consumers	43 468 473	9 698 768	10 465 164	284 211 914	347 844 319
Industrial / Commercial	7 091 314	3 017 171	682 138	14 708 749	23 352 372
Government	3 657 940	76 374	168 389	1 900 152	5 802 855

Maintaining and improving the current collection rate is crucial for financial sustainability of the municipality and we have seen that it remains key rating consideration. The debts written off in 2008 had a negative influence on the current ratio of the municipality, but it was necessary as the debt was irrecoverable and some debt was in relation to the verified indigents.

The investments balances were moved to cash and cash equivalents and there was no change basically comparing these balances year to year, these reflected the cash backing of certain reserves as required by legislation. From these balances, R--- million is the municipality's own discretionary funds which is considered relatively adequate to cover one month operational expenditure.

The city's overall financial profile is encouraging though stagnant over the past three years but still placed a great deal with demands for improved service delivery.



REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE SOL PLAATJE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Sol Plaatje Municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies, other explanatory notes and accounting officers report, as set out on pages 35 to 42.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements on basis of accounting determined by the National Treasury, as set out in accounting policy note 1. and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis of accounting

4. The municipality's policy is to prepare financial statements on basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

